

FRYBERGER

— LAW FIRM —

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November 12, 2025

City Council of the City of Duluth
411 West First Street
Duluth, Minnesota 55802

Re: Requested Consent to the Issuance of Conduit Revenue Obligations by the City of Rice Lake, Minnesota

Dear Mayor and Council Members:

This letter is related to the request of Stella Maris Academy, of Duluth, Minnesota (the “Borrower”), to have the City of Duluth, Minnesota, and the Duluth Economic Development Authority (together, the “Host Jurisdiction”), approve the issuance of a conduit revenue obligation (the “Obligations”) by the City of Rice Lake, Minnesota (the “Issuer”). Fryberger, Buchanan, Smith & Frederick, P.A., is acting as Bond Counsel and Lender’s Counsel on the issuance of such Obligations.

On December 1, 2022, North Shore Bank, of Duluth, Minnesota (the “Lender”), made a loan to the Borrower, evidenced by a \$4,000,000 Promissory Note (the “Prior Obligations”), to finance the “Project” as described in the resolution provided by Bond Counsel. The Obligations are requested to be issued to refund (or refinance) the Prior Obligations.

The Obligations will be issued under Minnesota Statutes, Sections 469.152 through 469.1655, and Section 471.656, as amended (the “Acts”), and will be issued as tax-exempt obligations. Both the Acts and the Internal Revenue Code of 1986, as amended (the “Code”), and the rules and regulations promulgated thereunder, allow for issuers to issue tax-exempt bonds for projects located outside of their jurisdictional boundaries; provided that the municipality in which such project being financed with tax-exempt bonds is located provides what is called “host approval” for the bond issuance. The Borrower is requesting Host Approval by the Host Jurisdiction for the issuance of the Obligations, and, specifically, that the City Council consent, by resolution, to the issuance of the Obligations, pursuant to Section 471.656, Subdivision 2(2) of the Acts.

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The Borrower has requested the Issuer to designate the Obligations as “bank-qualified” (an additional benefit provided for under the Code). The Issuer does not intend to issue over \$10,000,000 of tax-exempt bonds this year, and can therefore make such designation. The Host Jurisdiction, however, is planning on issuing over \$10,000,000 of tax-exempt bonds this year, precluding the Host Jurisdiction from being able to issue the proposed Obligations as “bank-qualified”.

The Obligations and the resolutions adopted by the Issuer and the Host Jurisdiction will recite that the Obligations, if and when issued, will not to be payable from or charged upon any of the Issuer’s or Host Jurisdiction’s funds, other than the revenues received under a loan agreement (the “Loan Agreement”) and pledged to the payment of the Obligations, and **the Issuer and the Host Jurisdiction are not subject to any liability on the Obligations**. No holder of the Obligations will ever have the right to compel any exercise by the Issuer or the Host Jurisdiction of their taxing powers to pay any of the principal of the Obligations or the interest or premium thereon, or to enforce payment of the Obligations against any property of the Issuer or of the Host Jurisdiction except the interests of the Issuer in payments to be made by the Borrower under the Loan Agreement. The Obligations will not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Issuer or of the Host Jurisdiction, except the interests of the Issuer in payments to be made by the Borrower under the Loan Agreement. The Obligations are not moral obligations on the part of the State or its political subdivisions, including the Issuer and the Host Jurisdiction, and the Obligations will not constitute a debt of the Issuer or of the Host Jurisdiction within the meaning of any constitutional or statutory limitation.

Please feel free to contact me if you have any further questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Burns", with a long horizontal flourish extending to the right.

Daniel F. Burns